

This year our Committee has given a special focus to two areas: finding waste, fraud, and abuse and examining how to make government effective again.

Today's hearing on the performance of Howard Krongard, the State Department's Inspector General, bridges both of those fundamental issues.

The origins of this hearing begin with the Committee's oversight of the State Department's actions in Iraq. As we examined the construction of the new Baghdad Embassy, the oversight of Blackwater, and corruption in the Iraqi government, seven current and former officials in the Inspector General's office expressed concerns about Mr. Krongard's own oversight of the State Department. These officials — and others who spoke with the Committee during our investigation — raised fundamental questions about Mr. Krongard's judgment, actions, and effectiveness.

They described their serious concern about his inadequate oversight of the construction of the Baghdad Embassy, his failure to assist a Justice Department investigation of Blackwater for arms smuggling, his refusal to pursue charges of procurement fraud implicating DynCorp, his intervention in the investigation of Kenneth Tomlinson, and his lack of independence in auditing the State Department's financial statements. The Committee was told that due to Mr. Krongard's abusive management style, the Office of the Inspector General is "bleeding people right and left."

What these officials told the Committee is summarized in a staff report I am releasing today, and without objection it will be made part of the record.

One of Mr. Krongard's key responsibilities is providing oversight for the State Department's construction of the new Baghdad Embassy. In a previous hearing, we learned that the project will cost \$144 million more than projected, is far behind schedule, and has potentially life-threatening construction deficiencies.

There are also allegations that the building's contractor, First Kuwaiti, was involved in labor trafficking. When Mr. Krongard heard that his staff might investigate this issue, he sent them an

e-mail that said, as one official described it, “cease and desist all work, I’m taking care of this.”

Mr. Krongard conducted his own personal and unprecedented investigation of the potential scandal. According to Mr. Krongard, he interviewed six employees who had been handpicked by First Kuwaiti. He questioned them without a translator present and took virtually no notes. Mr. Krongard then concluded that there was no evidence that First Kuwaiti had committed human rights violations.

The reaction of Mr. Krongard’s senior staff to his investigation is remarkable. Mr. Krongard’s deputy said the effort was “unorthodox,” “didn’t comply with any standards,” and was “the furthest thing from an investigation.” Another official warned that Mr. Krongard’s investigation ran the risk of inadvertently ruining a future prosecution.

The former head of Mr. Krongard’s audit division told us that the “report would never pass muster in my organization and in any IG investigation that I have ever worked in.” She also said, “it’s an embarrassment to the community.” A special agent was even more blunt, calling Mr. Krongard’s report “an affront | to our profession.”

Given the strong condemnations from the professional staff in the Inspector General’s office, this incident alone would justify today’s hearing. Unfortunately, it is not an isolated incident. In fact, I don’t believe it is even the most serious allegation raised against Mr. Krongard.

In the course of our investigation, Mr. Krongard’s investigators told us he placed First Kuwaiti off-limits to investigation. They said he refused to pursue credible complaints about fraud, waste, and abuse in the Embassy project and rejected proposals to audit the construction process during construction so that problems could be addressed as they happened.

When the Justice Department wanted to investigate these matters, it asked Mr. Krongard for cooperation. He refused repeatedly. In one instance, Mr. Krongard e-mailed his staff: “stand down on this and not assist.”

In one mind-boggling sequence, Mr. Krongard — against the advice of his most senior staff —

insisted on meeting “a person of interest” in an investigation involving the Embassy without assistance of counsel or investigators. Three days after meeting with Mr. Krongard, the potential suspect cancelled a scheduled meeting with audit officials and left the United States.

Shortly after that, Mr. Krongard insisted on meeting with another potential suspect during a trip to Iraq. This time his senior staff not only advised him to cancel the meeting, but asked the Justice Department to instruct Mr. Krongard not to conduct haphazard witness interviews. Despite the additional warning from the Justice Department, Mr. Krongard met with the individual.

When Mr. Krongard returned to Washington, he wanted to debrief his investigators on his meeting. The agents were worried that the information might taint them and ruin any credible investigation. They specifically asked Mr. Krongard not to share his impressions with them, but he ignored their request and sent one of the agents an e-mail summarizing his conversation with the potential suspect.

None of these actions makes any sense. When the Justice Department asked for cooperation, Mr. Krongard refused. When they warned him that his freelance investigation could jeopardize potential prosecutions, he ignored that. When his own staff tried to advise him on proper investigative procedures, he ignored them. If the reports the Committee has received from the Justice Department and the Inspector General’s senior staff are accurate, Mr. Krongard has acted with reckless incompetence.

And the questions about Mr. Krongard’s performance aren’t limited to the Baghdad Embassy. The Justice Department sought Mr. Krongard’s cooperation as it investigated reports that a large private security contractor was smuggling weapons into Iraq. Instead of cooperating, Mr. Krongard apparently created a series of obstacles to the inquiry.

One of Mr. Krongard’s aides told our Committee that “there was absolutely no justifiable investigative, management | or any kind of reason for us to stop that investigation.”

The Justice Department shares that view, and told the Committee:

At this juncture, we cannot determine all of the ramifications of the IG's conduct, but some of his actions have certainly impacted the investigation. For reasons that remain unclear, the line IG agents | have been forced to funnel requests within their own agency through a congressional and public relations official. This is not the usual practice. The Inspector General also issued a statement, without advance coordination with Department attorneys, confirming the existence of this investigation, which is inconsistent with our law enforcement interests.

The Justice Department has advised us that Mr. Krongard's actions resulted in "a cumbersome and time-consuming investigative process" and "added multiple layers to our investigative efforts." As of last Friday, the Justice Department still had not received the State Department materials it requested.

As Mr. Krongard revealed through some ill-advised comments, the company implicated in the weapons smuggling is Blackwater. We have now learned that Mr. Krongard's brother, Buzzy Krongard, serves on Blackwater's advisory board. We have also learned that Mr. Krongard concealed this apparent conflict of interest from his own deputy, even as he remained actively involved in monitoring the Justice Department's criminal investigation.

In the course of today's hearing we will also examine allegations about Mr. Krongard's actions regarding investigations into DynCorp and its subcontractors; his decision to allow the State Department to replace unfavorable financial audits with favorable ones; his contact with Kenneth Tomlinson to alert him to a possible investigation of wrongdoing; and his management approach to the Inspector General's office.

It is a staggering list of allegations from Mr. Krongard's own staff. In Committee interviews and depositions, the Deputy Inspector General, the Assistant Inspector General for Investigations, the Assistant Inspector General for Audits, their deputies, and the Counsel to the Inspector General — along with many others — all criticized Mr. Krongard or his performance.

And a long list of top officials — including an Assistant Inspector General for Investigations, a Deputy Assistant Inspector General for Investigations, a Deputy Assistant Inspector General for Audits, the head of the Office for Information Technology, and a Counsel to the Inspector General — have resigned since Mr. Krongard became Inspector General in 2005.

As one current senior official told us, joining Mr. Krongard's office was the "worst mistake of my life."

I know the Ranking Member takes a different view on this matter. Today's hearing —and Mr. Krongard's testimony — will help us sort through the facts.

I think we all understand the pre-eminent role the State Department now has in Iraq. The Department has to be operating on all cylinders if we have any hope of achieving real and lasting political reconciliation in Iraq. Countless lives and billions of dollars are at stake. There's no margin for error.

That underscores why Mr. Krongard's office is so essential, why it needs to meet the highest standards, and why this hearing is so important.